

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Potential Legislative/Administrative Items
2019



Hypothesis and Why Chart?

Based on our review of data and experience we have developed this hypothesis.
“The fundamental reason municipal utilities have financial problems is they no longer generate enough revenue to properly manage their resources and operations.”

- Why?* The economic circumstances of these utilities’ customer base has changed such that rates can not be set high enough to generate sufficient revenue.
- Why?* The target utilities are small and serve areas that are economically stagnant and have lost commercial and residential customers that used to better support operations, maintenance and reserves.

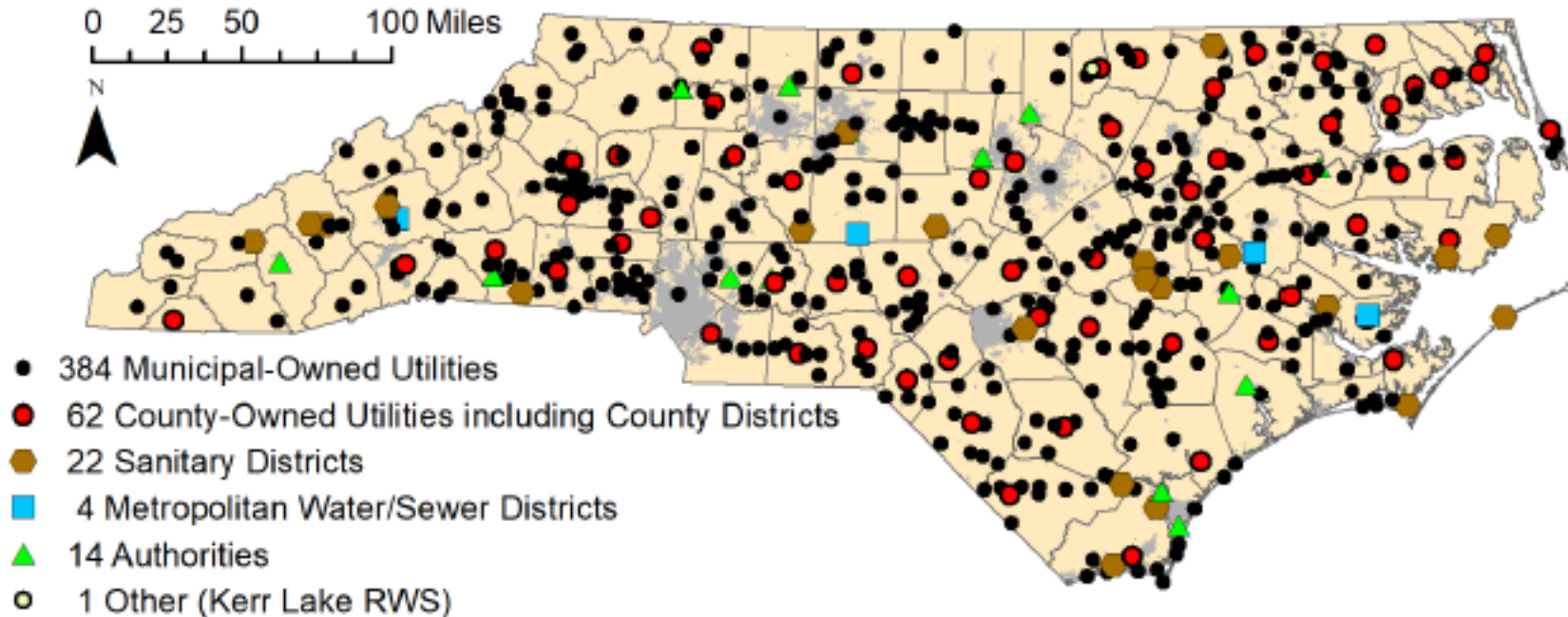


Hypothesis and Why Chart? (continued)

Why? The State's economy has changed and we have lost native industries like tobacco, textiles, furniture and small manufacturing so there are less of businesses and fewer people to serve. Plus, we have jobs available in metropolitan areas where people are going so older people on fixed income are a higher percentage of the rural service base.



There are 487 Local Government-Owned Water and/or Wastewater Utilities Active as of January 2018



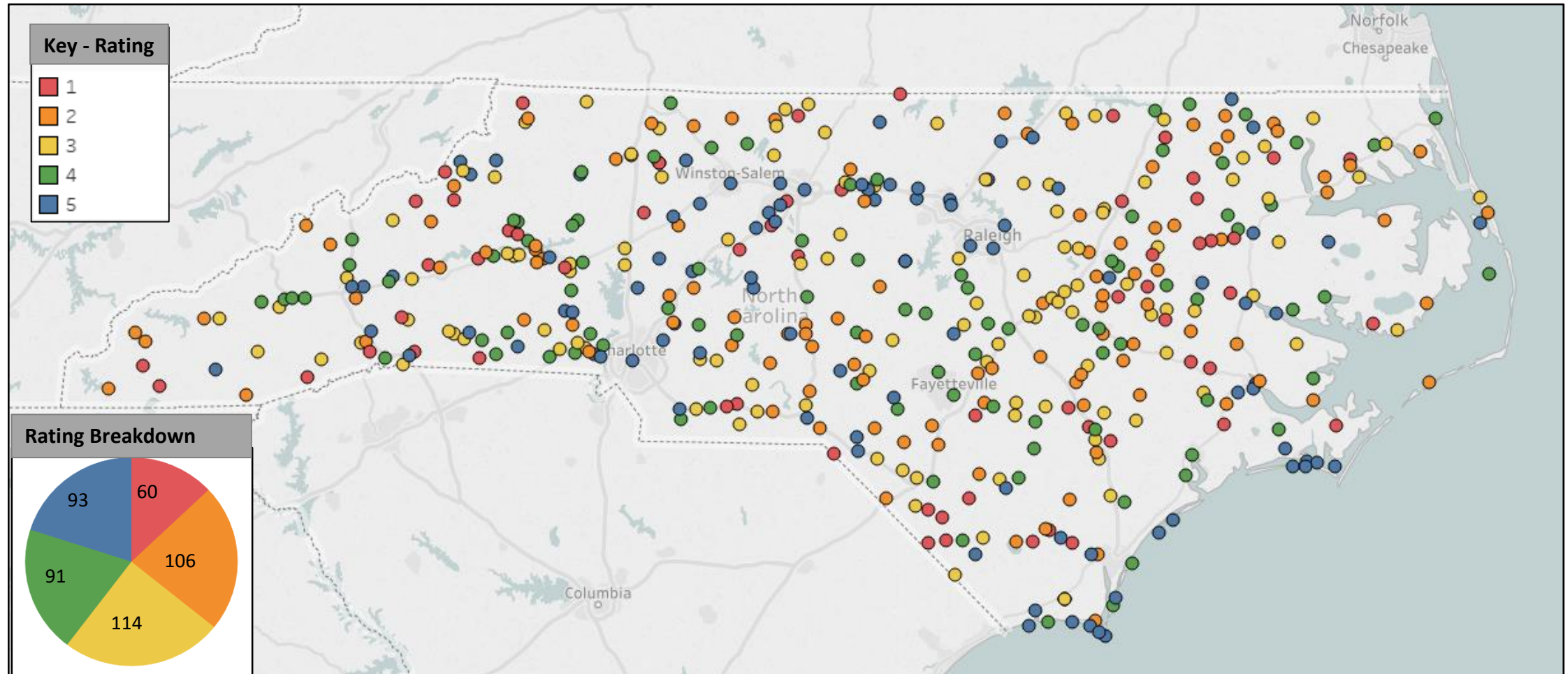
Analysis by the Environmental Finance Center at the UNC School of Government.

Excludes utilities not owned by local governments.

Source: Database maintained by the EFC (Jan. 2018) updated with new information from the NC Department of Environmental Quality Division of Water Resources (SDWIS), and the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



NC Water and Sewer Relative Financial Strength Ratings Map





North Carolina Local Government Units Currently on Unit Assistance List

Based on Audited Financial Statements as of June 30, 2016



117 Municipalities

- 42 have severely financially troubled water and/or sewer systems

Troubled Counties (13):

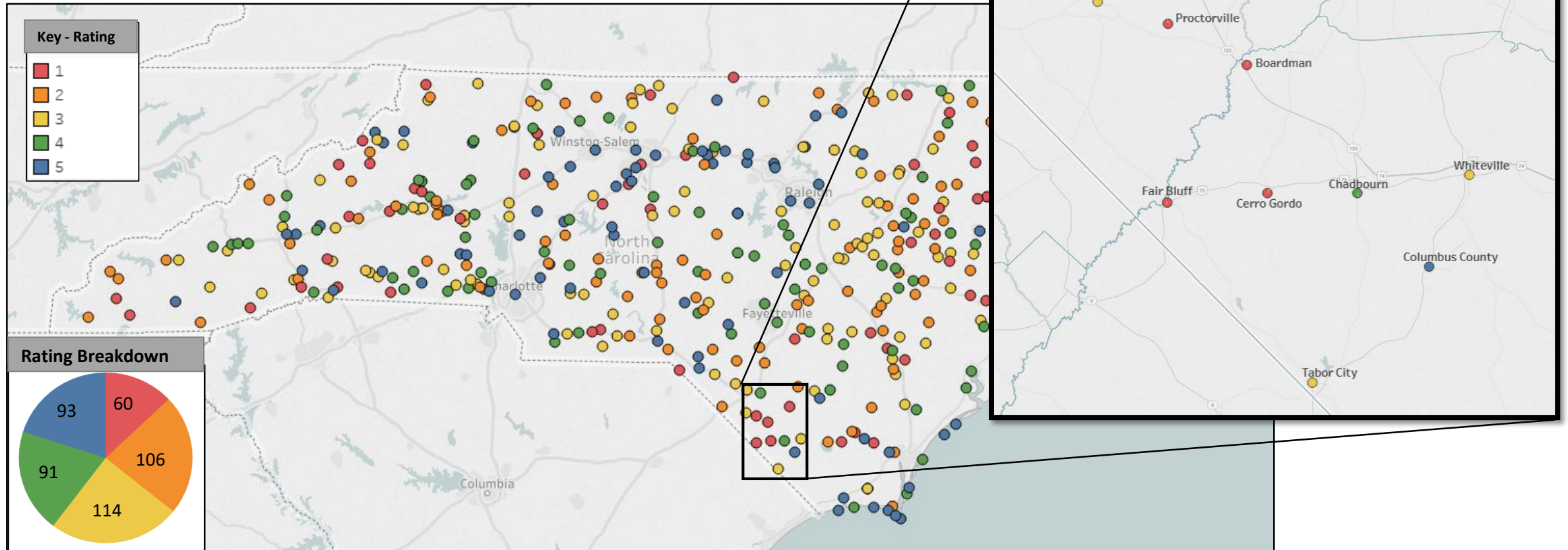
Anson
Edgecombe
Greene
Hoke
Hyde

Martin
Northampton
Robeson
Scotland
Tyrrell

Vance
Warren
Washington

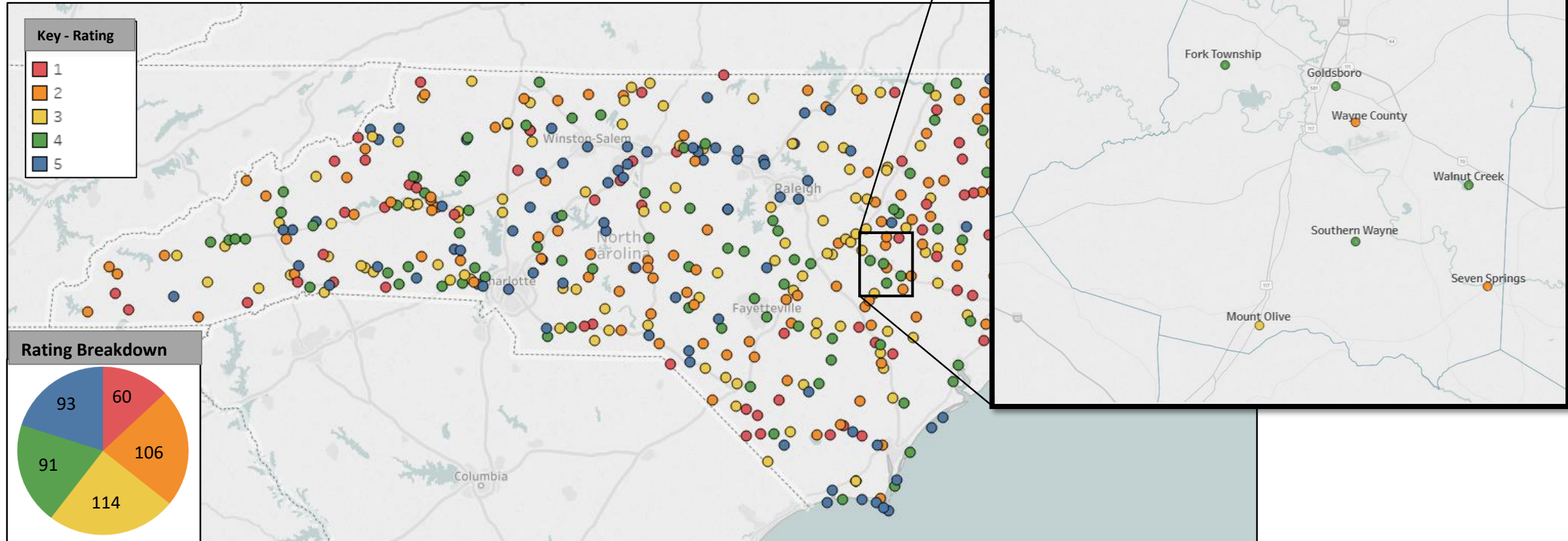


NC Water and Sewer Relative Financial Strength Ratings Map





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Potential Legislative/Administrative Items

1. Require any municipality on the Unit Assistance List that cannot satisfactorily respond to a Unit Assistance List Letter to have a merger/management assessment.
2. If DEQ identifies grant and loan money for merger/management consolidation, create a process by which subject municipalities can be identified and create a trigger mechanism for UAL units to participate. (This would involve action by both the SWIA Board and the LGC.)
3. If DEQ gets grant **conditions** to require recipients to maintain minimum operations, maintenance and reserves, LGC would adopt rules to support this activity.
4. Create a “Historic Charter” process where the LGC can recommend to the General Assembly that a city, town or village that is struggling financially be converted to historic charter where they would be a town but their finances would be managed by a County or larger city.